

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers. 86 Ill. Adm. Code 130.2007. This is a GIL.

October 19, 2001

Dear Xxxxx:

This letter is in response to your letter dated September 20, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

I'm sorry but please understand I was never seeking an exemption.

I have enclosed a copy of Illinois Dept. of Revenue letter dated 5/13/83 on this subject. It will explain why I have asked for your verification. As per my 8/25/01 letter, this organization has been dissolved by the State as a not-for-profit organization but is still in operation on that basis.

I may be in error, but I interpreted the May 13, 1983 letter's ruling that our organization's Friday night dinners, since its inception almost 30 years ago, were subject to an Illinois Sales Tax. It appears to me that our organization under the leadership of NAME (for almost 30 years) has chosen to overlook this ruling.

My only concern is, and has been for many years, if our organization is delinquent on this score--and with our ample treasury, the State of Illinois should be reimbursed.

Again--thank you for your consideration.

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes.

While organizations and institutions that are both operated and organized exclusively for charitable, religious, or educational purposes are as a general matter subject to Retailers' Occupation Tax upon their own sales of tangible personal property, there are three limited exceptions where such organizations are authorized to engage in a restricted amount of retail selling activity without incurring Retailers' Occupation Tax liability.

These limited amounts of selling are described in 86 Ill. Adm. Code 130.2005(a)(2) through (a)(4), enclosed. An exempt organization may engage in sales to members, noncompetitive sales, and certain occasional dinners and similar activities (two fundraisers a year) without incurring Retailers' Occupation Tax liability. In regard to sales to members, please note that the population to which sales are made is limited to persons specifically associated with that exempt organization and must be for the primary purpose of the selling organization. Organizations could use their E numbers to purchase items for such limited exempt sales. However, if organizations engage in ongoing selling activities they must also register with the Department as retailers, file returns and remit tax.

We do not know if the organization mentioned in your letter has obtained a tax exemption identification number from the Illinois Department of Revenue. If it has such a number, it could engage in one of the three above cited limited types of selling without incurring Retailers' Occupation Tax, so long as it meets the requisite conditions. Please note that if an organization otherwise qualifies to make the noncompetitive sales described at Section 130.2005(a)(3), such sales must be infrequent and the dominant motive of the purchase must be the making of a donation to the charitable or religious organization which conducts the sale, rather than the acquisition of property.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Shane McCreery

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